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Advice on China: Forget it

Beijing Jeep sire doesn't see boom

By Stephen Vines
STAFF CORRESPONDENT

HONG KONG — Winds of change seem to be blowing in China again, but the prospects for automakers, if the students succeed in winning democratic reforms, are uncertain as ever.

The most senior American executive to have worked in China's automotive industry has some advice for the foreign auto companies thinking of investing in China: Don't bother.

The advice comes from Don St. Pierre, 47, the former managing director who helped start the Beijing Jeep joint venture between the Chinese government and American Motors in 1985.

St. Pierre said, "I don't think there is any big business for the foreign automotive industry in China. I don't think the market is going to grow by anything like the numbers you hear." The Chinese government has set a goal to produce a million units a year by 2000.

St. Pierre

He dismisses that target, saying 700,000 to 800,000 is more realistic. There are no reliable figures for vehicle production in China. St. Pierre estimates that 470,000 were made last year and says he believes output will stay around that figure for the near future.

He is also skeptical about import prospects, noting that the recent rioting in China has again highlighted the resentment about the importation of luxury vehicles and has forced the authorities to issue yet another edict saying those imports will be banned.

"There's a number of niche markets where you'll make a buck, but it's only short term, say 10 years," St. Pierre said.

He said he believes China's main aim is "to localize as much as possible and head for self-sufficiency. China has no intention of becoming a world competitor. It is only interested in taking care of its own industry and upgrading what it's got."

That strategy may be incompatible with foreign automakers who are not only eyeing the potential of China's huge domestic market, but also looking at it as a low-cost manufacturing base for exports.

St. Pierre headed the Beijing

Thrifty purchases about 40,000 vehicles annually from Chrysler Motors

AUTOMOTIVE NEWS/JOE WILSSENS

Peugeot cuts U.S. staff

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — The boxoffice flop of the Peugeot 405 has forced Peugeot Motors of America to eliminate as many as 40 of its 250 employees and cut back operations in its Western and Central regions.

The company last week fused its national service and parts operations and will close its parts warehouse in Carson, Calif., this summer. It will ship all parts from Peugeot headquarters in Lyndhurst, N.J.

Most severely affected was the Central region office in Houston. Peugeot divided Central region administration and sales responsibilities between the Eastern region office in Pine Brook, N.J., and the Western region office in Carson, Calif. Three of the former Central region districts will report to New Jersey, and one will report to California.

The Central region retains functions in training, distribution and technical assistance, and service representatives will continue to call on dealers.

Peugeot made a similar consolidation at headquarters, combining parts and service under Edward Benz, national parts and service manager, a 14-year veteran.

George Blinn, national service manager, left the company last month, and Jean-Claude Laurent replaced him. Succeeding Laurent as national parts manager was Robert Mossman, who had been assistant parts manager. Laurent and Mossman report to Benz.

The company also will close four of its seven training centers, leaving just the three at the regional offices.

The four that will close are remnants of four regional offices that Peugeot closed in the early 1980s.

see PEUGEOT, page 54

Thrifty buy is Chrysler's rental shield

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

SAN FRANCISCO — Chrysler Corp. will strengthen its position in the rental car market through the purchase and expansion of Thrifty Rent-A-Car System and possibly additional acquisitions.

Fearful of being squeezed out of the lucrative rental car market, Chrysler said Thursday it will spend $263 million to acquire Thrifty Rent-A-Car System, its second-largest customer.

Chrysler Corp. Vice Chairman Gerald Greenwald said expansion of Thrifty is anticipated and he did not rule out additional acquisitions by Chrysler in the rental field.

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"Thrifty is an aggressive company," he said. "They are looking to expand and we can provide that assistance.

"We've looked at the question of whether we should go further. We're not sure at the moment. But chances are Thrifty will be a place from which to expand."

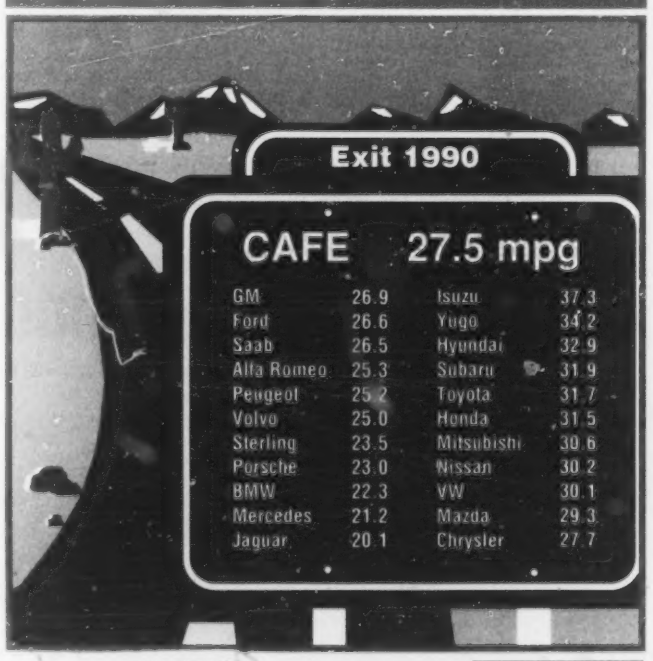
Because General Motors and Ford Motor Co. hold huge shares in the Big 4 rental car companies — Hertz, Avis, Budget and National — Chrysler was in danger of being edged out of the daily car rental market, which buys 10 percent of total U.S. car production annually.

Like Ford and GM, Chrysler is acquiring a rental car company to give it a captive customer in an uneasy economy.

"I expect the industry will continue to soften for a while," Chrysler Corp. Chairman Lee Iacocca said last week. "We might have a 5 percent to 10 percent

see CHRYSLER, page 57

Running on empty



AUTOMOTIVE NEWS/LANCE BRAVES

Makers face penalties on higher CAFE standard

By Diana T. Kurylko
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — General Motors, Ford Motor Co. and European luxury car makers will fall short of the higher 1990 corporate average fuel economy standard, which the Bush administration is returning to the congressionally mandated level of 27.5 mpg.

But the domestic makers will avoid millions of dollars in penalties by applying credits earned under a lower CAFE standard.

Meanwhile, European luxury manufacturers, whose U.S. sales are already ailing, say they won't be able to avoid the fines from the higher car CAFE. Most said their mix of cars is so limited that, unlike Detroit, they cannot simply shift production to smaller cars to increase their CAFE.

"Almost all of the Europeans are in trouble with the standard," said Gregory Dana, vice president and technical director for the Automobile Importers of America.

While all of the Japanese makers are above the 27.5 mpg standard, they are introducing more powerful and larger, upscale cars.

The Japanese can continue their attack on the lucrative upscale market because they have accumulated considerable credits to cushion their CAFEs in the future.

Manufacturers will be charged $5 per car for every 0.1 mpg shortfall in the corporate standard. GM said that its liability could be as high as $20 million for each 0.1 mpg.

NHTSA said it expects GM to hit 27 mpg for the 1990 model year and Ford to achieve 26.6 mpg. GM hit 27.6 mpg for the 1988 model year and projects 27.0 for 1989.

Ford expected to achieve 26.6 mpg for both 1988 and 1989. Those figures are good enough to meet the 1989 CAFE standard of 26.5.

Chrysler Motors has never peti-

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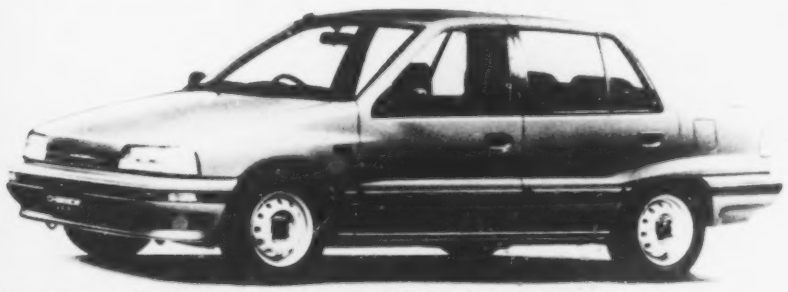

Daihatsu plans to launch a four-door Charade this fall in the United States

Daihatsu picks Europe to test bigger model

By Mary Ann Maskery
AUTOMOTIVE NEWS STAFF REPORTER

TOKYO — While Daihatsu Motor Co. expands its U.S. line later this year with the addition of the Rocky sport-utility vehicle and four-door Charade, a larger car that debuted at the Geneva auto show will be introduced in Europe before going to America.

Toshio Yoshioka, the company's managing director, said U.S. shipments of the Rocky will start slowly and build to 500 per month. Shipments are tentatively scheduled to begin in the fall.

At about the same time, the company will introduce its new 1.6-liter car in Europe. A prototype of the car, called the MS-X90, was displayed earlier this year at the Geneva auto show. The front-wheel-drive, four-door notchback is 168 inches long, 65 inches wide and has a fuel-injected engine. The car's name has not been announced.

The new model replaces the Charmant, a car that flopped in Europe and is no longer sold there.

Explaining the company's strategy for the MS-X90, Yoshioka said "we would like to test" sales in Europe, where Daihatsu has an established dealer network.

"The U.S. dealer body for Daihatsu is still very young" and vulnerable, and any mistakes might hurt the company's reputation, he said. As a result, the company decided to launch the larger vehicle in Europe.

No date was given for U.S. introduction. Daihatsu America currently sells only the Charade three-door subcompact, though the lineup will be expanded this year.

Yoshioka noted it takes more time to develop a product for the United States because of safety and emission standards. For example, the effort to comply with regulations for automatic seat belts delayed production of a new Charade model equipped with a 1.3-liter engine. Base models carry a 1-liter engine.

That larger-engined Charade, which bowed earlier this year, helped Daihatsu America boost sales, he said. Sales were below 1,000 units per month before the 1.3-liter engine was introduced but rose to 1,217 in March and were 1,055 in April.

Yoshioka said the plan is to maintain sales at 1,000 Charades a month with a goal of expanding to 1,500. The four-door model is expected to help Charade sales.

Last year Daihatsu's allocation to the United States under Japan's voluntary export restraints was 17,000 units. Daihatsu has requested that the quota be boosted to 23,000, which would be 1 percent of the 2.3 million limit imposed on Japan's auto industry. The Ministry of International Trade and Industry has not announced the allocation for the April 1, 1989, through March 31, 1990 period.

Daihatsu fell 2,783 units short of its quota in the year ended March 31, 1989, leading some analysts to speculate the ministry is unlikely to increase Daihatsu's allotment. But Yoshioka said a major reason for missing the quota was the need to sacrifice overseas shipments to meet a sudden boom in domestic demand.

Daihatsu America currently has 260 dealers in the United States. Though Yoshioka admitted some observers consider that number too high for sales of 17,000 units, he said the company entered the United States as competition was becoming more intense.

Now, with new models coming, "we feel we are on the right track." He said Daihatsu is aiming for a U.S. sales ratio of two Charades for each Rocky sold.

Yoskioka said Daihatsu is looking for a European partner in order to begin production there. Daihatsu has an agreement with Carrozzeria Bertone to produce the Rocky/Rugger in Italy under a Bertone badge. That vehicle is called Freeclimber.

He called the venture "practice for us." Daihatsu is talking to European automakers, but with European companies nervous about their own futures as 1992 approaches for the unification of the European Community, discussions are becoming more difficult. An independent manufacturing venture, such as Nissan has established in Britain and Toyota is planning, is unrealistic for a small company like Daihatsu.

Ford Bronco II under fire

Magazine charges sport-utility handles poorly

By Dutch Mandel
AUTOMOTIVE NEWS STAFF REPORTER

As Ford Motor Co. officials and dealers last week downplayed the Consumer Reports article that called for sport-utility shoppers to avoid the Bronco II, one crisis manager said it should be treated as a crisis.

"Ford has to come clean and stick with the facts, show that it has credibility, integrity and concern for its consumers," said Gerald C. Meyers, former American Motors chairman and author of "When it Hits the Fan: Managing the Nine Crises of Business." "That's Lesson 101 in crisis management."

Several dealers predicted that publicity generated by the article and press release by Consumer Reports can have only adverse effects on sales.

"I believe we are going to see a cautious attitude taken by consumers and we could have a downturn in sales," said Craig Kapson, owner of Jordan Ford, Mishawaka, Ind. "At least, I am anticipating that — until we get positive publicity showing it isn't true."

Ford issued a statement saying its vehicles are safe and that the magazine's testing is flawed.

Last year, following a test of sport-utility vehicles, Consumer Reports published an article and called a news conference to report

Consumer Reports rated Bronco II poorly

Suzuki's Samurai had a propensity to tip during its handling tests.

After that article appeared, several consumer rights groups petitioned NHTSA for a recall of Samurai. Even though the petition was denied, the article had a devastating effect on Suzuki's bottom line: Sales of the small Japanese off-road vehicle tumbled from an average of 6,000 per month to less than 2,000.

The magazine based its pronouncement on Bronco II on the same accident avoidance tests it used for the Samurai. Consumer Reports said that while Suzuki's Samurai earned a "not acceptable" rating, the Bronco II's emergency handling was "poor," which is not as serious.

According to the article published in the magazine's June issue, Bronco II exhibited "unsettling" behavior while negotiating a pylon-marked course at 42 mph — it reportedly lifted two wheels off the ground.

The article also cited NHTSA statistics showing 19 fatal rollovers per 100,000 Bronco IIs on the road in 1987. The magazine said Samurai was involved in six fatal rollover accidents per 100,000 vehicles.

Since its introduction in 1983, Ford has sold some 650,000 Bronco IIs.

Earlier this year, NHTSA opened a formal investigation of Bronco II to evaluate its fatality rates in rollover accidents that NHTSA said appeared to exceed the average for compact sport-utility vehicles. While Ford contends the Bronco II falls within the statistical middle of that data, the government's investigation continues.

Following the Consumer Reports release, Ford said the magazine's data is incomplete and flawed and that rollover statistics cited by Consumer Reports for 1987 also include 1986-model vehicles.

Ford said the magazine judged the Bronco II based on a single, driver-influenced accident avoidance maneuver — "one in which the driver's input can cause a vehicle to pass or fail."

Ford commissioned a test similar to that used by Consumer Reports and said it found "the Bronco II did not lift even one wheel off the ground." The test was performed by Failure Analysis of Palo Alto, Calif.

Ford said it has repeatedly put the Bronco II through a battery of stability, handling and maneuverability tests as well as computer modeling. Based on the results of those tests, the company says the Bronco II is "a safe and predictable vehicle."

A majority of dealers contacted late last week had not heard or read about the Consumer Reports story, and none could yet judge its impact on sales.

"No doubt we're going to have repercussions, but who really knows what effect it will have on sales?" said Burt Lear, general manager for Wallace Ford, Delray Beach, Fla. "Anybody with any common sense can tell (the article) is ridiculous.

"I can truthfully say I have not had one case of one Bronco II tipping over. I've driven them, my daughter's driven them. It just blows my mind. Hell, it's just like what we went through with the Pinto."

Lear said his dealership sells 12 to 14 Bronco IIs per month.

Said a Ford spokeswoman: "We actually think this to be a non-story and that it will blow over in a day or two.

"We feel this is a very safe vehicle. This action (by the magazine) is not the magnitude of what the Samurai or Audi faced. Our customers have driven the vehicle over 10 billion miles. It has a very fine reputation, and we don't expect this to damage that."

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Hearings set on stricter emission standards

By Arthur Flax
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Vehicles are targeted as the largest source of urban air pollution and the most cost-effective to regulate in new Clean Air Act legislation introduced in the House of Representatives by Rep. Henry A. Waxman, D-Calif.

Hearings on the bill are scheduled this begin this week in the House Energy and Commerce Committee's subcommittee on health and environment, which Waxman chairs, kicking off debate that may end in tighter vehicle emission standards.

Those standards have been the same since 1981. The basis for them — the Clean Air Act — has not been amended since 1977.

Many in Washington believe some form of clean air legislation will pass in this session of Congress, citing the support of the Bush administration, which is now preparing its own Clean Air Act legislation to be presented to Congress in early June.

Also adding to the air of urgency is that the timetable for meeting Clean Air Act standards ran out last year and, as a result, nearly 100 cities are in violation of EPA clean air standards.

Waxman's Clean Air Restoration Act of 1989 has 112 co-sponsors and the apparent support of environmentalists and the opposition of the auto industry.

It calls for stricter tailpipe emission standards, on-board refueling vapor recovery controls and a 10-year/100,000-mile warranty for emission-related components.

Current emission standards are 0.41 grams per mile of hydrocarbon; 1.0 gpm nitrogen oxide; and 3.4 gpm carbon monoxide. Waxman's bill tightens these levels to 0.24 gpm HC; 0.4 gpm NOx; and leaves CO unchanged. The standards would take effect in the 1993 model year.

The legislation, if passed, will require EPA to issue a rule within a year requiring on-board refueling vapor recovery systems.

Automakers would be required to install such systems within two model years of the EPA action.

"Overall, the bill provides a good starting point for the House," said Richard Ayres, chairman of the National Clean Air Coalition, a group that counts 35 environmental organizations as members.

"The big polluters will say that this bill goes too far, too fast. To the contrary, we support, and we think that the American people support, a program to go farther and faster," Ayres said.

An auto industry source said "the combination of tighter tailpipe emission standards combined with longer durability requirements in the Waxman bill would be a double hit for the industry."

In addition to the Waxman bill, and the expected Bush administration proposal, there is a competing bill in the House of Representatives. Titled the Clean Air Act Amendments of 1989, it was introduced earlier this year by Rep. Al Swift, D-Wash., and eight other congressmen.

It is referred to as the "Group of Nine" bill and offers tailpipe emission standards stricter than the current rules, but less strict than those of the Waxman bill. The bill tightens HC to 0.25 gpm, NOx to 0.7 gpm and leaves CO unchanged.

The bill does not require on-board vapor recovery controls but leaves the decision on such controls to the EPA.

The auto industry source said the bill "has a degree of reasonability. It is closer to what we would like."

Ford Class A motor home chassis finally debuts

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — Ford Motor Co. earlier this month began production of its long-awaited new Class A chassis. Its competitive impact will begin to be felt this fall.

Currently, General Motors and Oshkosh Truck Corp. of Oshkosh, Wis., supply about about 95 percent of the Class A motor home segment. Oshkosh became a player by buying Deere & Co.'s motor home chassis business Jan. 30.

Because of Ford's late entry into the market, Chevrolet and Oshkosh have pretty well sewed up the motor home industry's orders for the 1989 model year.

Ford began producing its new 16,000-pound GVW chassis May 9 in Monterrey, Mexico, after several delays for product refinements. It had originally planned to introduce the chassis last fall.

Jerome Mittman, Ford Division RV sales manager, expects the company to produce about 50 chassis the first month, 300 a month in June and 800 a month by the end of the current calendar year.

He said start-up acceleration is restricted somewhat by parts availability.

GM has had a strong late surge in orders at its chassis plant. It recently added two extra weeks' production to its 1989 chassis buildout schedule, according to Jay Ganatra, manager of chassis products operations for the GM truck and bus group.

Ford's start-up delays have cooled some of the early enthusiasm the chassis generated when it was first announced. But Mittman said, "Once we begin building and shipping it in quantity to our pool accounts, their enthusiasm will quickly rekindle."

Some of the major manufacturers that will be building on the new chassis include Fleetwood Enterprises of Riverside, Calif.; Winnebago Industries of Forest City, Iowa.; Holiday Rambler Corp. of Wakarusa, Ind.; and Coachmen Industries of Middlebury, Ind.

Ford will be "well received by dealers and consumers in the size and GVW range they're operating in," said Thomas Klonowski, Fleetwood's director of product development for motor homes. Fleetwood is the industry's largest motor home manufacturer.

Ford's chassis is available in only two wheelbases and one GVW rating. That market segment, representing motor homes over 30 feet, makes up the bulk of Fleetwood's Class A business. The company still produces smaller Class A's that require shorter and lighter chassis.

"We have a need for smaller chassis and some need for larger ones. We'll still be using chassis produced by other people," Klonowski added.

In addition to its 16,000-pound GVW unit, Ford also has an 11,500-pound-GVW Class A, which it builds in limited quantity, and a 10,500-pound-GVW Class C RV Cutaway unit.

GM, by contrast, offers chassis in six or seven wheelbases and five or six GVWs, according to Ganatra.

They range from 6,800-pound-GVW units, used chiefly in the bakery industry, to the 10,500- to 14,500-pound-GVW units used by RV manufacturers.

GM introduced a 16,000-pound RV chassis earlier this year. It has been only moderately successful since it lacks an automatic park brake system. Officials hope to begin installing the system in the units in three to six months, Ganatra said.

The real test of Ford's success, Klonowski said, will come this fall when motor homes built on its chassis are displayed at major consumer RV shows for the first time.

Fleetwood's current orders with Ford "could be adjusted upward or downward," depending on consumer acceptance, he added.

Ford is bound to eat into either GM's or Oshkosh's business, but which will be affected the the most remains to be seen.

Ganatra said he hopes Ford's entry will help expand the market. GM believes it will be able to maintain production levels "that are economically viable for us," he said.

Klonowski said he believes Ford's entry will benefit the industry both in attracting Ford-loyal customers to the RV market and in helping hold chassis prices down.

He noted that when Deere entered the market a few years ago, GM rolled back its chassis prices for a year.

GM has built up a strong following of customers who are "used to our products," Ganatra said.

Lack of competition had led GM to take the market largely for granted, but within the past two years Ganatra and other GM officials have been working hard to establish closer communications and ties with motor home manufacturers and pay closer attention to their needs.

GM had a big meeting with all its body builders recently and showed them its future programs, how it was proceeding and how they could use those products.

It also asked for feedback from the body builders to help GM focus closely on their needs.

"My goal is to have three or four of our people service the industry on a constant basis," Ganatra said.

As previously reported, GM plans to produce a new 14,500-pound-GVW Class C motor home chassis in January that should help increase its business in that segment at the same time it is gearing up in the upper end of Class A.

Officials expect the new unit to help them maintain a steady production flow at GM's Detroit motor home and commercial chassis plant.

Shipments hold steady for March

RESTON, Va. — RV shipments continued on a fairly even keel in March, with a slight increase in van conversion shipments offsetting declines in motor home and travel trailer shipments.

RV manufacturers wholesaled 38,800 vehicles, 2.76 percent fewer than 39,900 in March 1988, according to the Recreation Vehicle Industry Association.

For the first quarter of 1989, the industry wholesaled 106,200 units, 1.14 percent more than 105,000 last year.

Van conversions continued to prop up the industry's performance.

March shipments of van conversions totaled 18,000 units, up 5.88 percent from 17,000 a year earlier.

First-quarter shipments of 51,300 were up 8.00 percent from 47,500 last year.

Shipments of seat-delete vans by Detroit's Big 3 manufacturers to converters, which reflect future conversion activity, declined in March.

Recreational Vehicle Wholesale Deliveries

	March 1989	March 1988	% change	3 mon. 1989	3 mon. 1988	% change
Travel trailers	5,900	6,500	– 9.2	15,000	15,800	– 5.1
Park Trailers	600	600	– 0.0	2,000	1,900	+ 5.3
Travel trailers—fifth wheel	3,000	3,000	– 0.0	6,000	7,800	+ 2.6
Folding camping trailers	3,900	4,900	–20.4	9,800	11,800	–16.9
Truck campers	1,100	1,200	– 8.3	2,500	2,600	– 3.8
Towable RV total	14,500	16,200	–10.5	37,300	39,900	– 6.5
Conventional (type A)	3,400	3,700	– 8.1	10,100	10,200	– 1.0
Van Campers (type B)	500	500	– 0.0	1,200	1,200	– 0.0
Chopped vans (all)	2,400	2,500	– 4.0	6,300	6,200	+ 1.6
Motor home total	6,300	6,700	– 6.0	17,600	17,600	– 0.0
Van conversions	18,000	17,000	+ 5.9	51,300	47,500	+ 8.0
TOTAL ALL RVs	38,800	39,900	– 2.8	106,200	105,000	+ 1.1

Source: Recreation Vehicle Industry Association

The biggest drop was in compact vans.

Overall, General Motors, Ford Motor Co. and Dodge shipped 19,400 seatless vans to converters in March, 15.65 percent fewer than the 23,000 shipped last year.

Of this year's total, 15,700 were full-sized vans, down 14.67 percent from 18,400 shipped in March 1988.

Compact van shipments totaled 3,700, down 19.57 percent from 4,600 a year earlier.

Seat-delete shipments continued to maintain an overall lead over last year during the first three months.

In the first quarter, the industry shipped 61,200 seatless vans, 17.69 percent more than 52,000 in the first quarter of 1988.

Of the total, 48,300 were full-sized vans. That was a 23.21 percent gain over 39,200 in the year-earlier period.

Shipments of seatless compact vans totaled 12,900 in the first quarter, compared to 12,800 in 1988.

GM shocks converters

Expected rebate for vans fails to appear

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — General Motors stunned the van conversion community and many of its own dealers by failing to approve a widely anticipated consumer rebate program for conversion units.

Converters and dealers had been anticipating an announcement May 10. As proposed, it would have put a $750 rebate on full-sized conversions to help move them at retail.

GM votes no on conversion rebate for customers

Chrysler has been offering a $2,000 rebate on van conversionssince April 1 because of the softening retail market.

Top-level GM executives apparently decided to pass on the rebate, though some industry sources believe it is still alive and may be approved. The program is needed because converters and Chevrolet/GMC dealers have begun swimming in conversion units as retail demand slowed.

There is a particular oversupply of chassis with the 305-cid V-8 and three-speed automatic transmission. GM converters earlier had to take a forced mix of 305 V-8s to get the chassis with the 350-cid V-8 that are in greater demand. That was further complicated by an incentive under which GM offered converters the optional 305 V-8 free as an upgrade from the base six-cylinder engine in those vans if they ordered it with a three-speed automatic.

Most major converters were forced to offer special wholesale spiffs during the first quarter to move their products at the wholesale level.

Now, converters face the prospect of trying to force more products on dealers with such programs — and creating another price war — or paying General Motors Acceptance Corp.'s floorplanning costs on units in their inventory and hoping the market improves.

Converters must begin paying GMAC finance charges after a unit has been in a converter's inventory three months. Finance costs are $4 to $5 per day per chassis, according to one estimate.

Ford, although it also has inventory problems, isn't likely to initiate a van conversion incentive.

The company has been redistributing its chassis — funneling units that might have gone to converters into alternate dealer and fleet distribution channels.

Ford operates in a different way than Chevrolet. It still has a traditional bailment pool setup under which it picks up the cost of a conversion chassis until it is actually sold to a dealer. Thus, it has been redistributing units to cut costs.

Van conversions are caught up in a larger industry problem. The whole automotive market is soft. Inventories of cars and trucks have increased so much they are choking conversions. Even some dealers who would like to stock a few more conversions can't because they are at their limit on floorplan credit.

RV BRIEFS

Southern Coach's 10th

GREENSBORO, N.C. — Southern Coach celebrated its 10th anniversary in the van conversion business by introducing two special anniversary models.

One is a 2000-series conversion equipped with a color-keyed fiberglass raised roof, remote-control color TV, remote-control video cassette player, power mirrors and other luxury appointments.

The other special model has Duraflex running boards with flares, oak pedestal trim, a 12-volt vacuum cleaner, rear stereo, leather/leatherette furniture and other special items.

RV travel heats up

DETROIT — The recreational vehicle industry is gearing up for a busy travel season, buoyed by 1988's decade-high total of 427,300 new-vehicle shipments and a year-end study showing trips for outdoor recreation on the rise.

A study by the U.S. Travel Data Center shows that trips for outdoor recreation and entertainment rose twice as fast as all other travel away from home.

Outdoor recreation excursions accounted for 41 percent of all trips.

Goshen Coach purchased

ELKHART, Ind. — William L. Warrick, chairman of Mallard Coach Corp. of Nappanee, Ind., purchased Goshen Coach Corp. of Elkhart.

Mallard Coach, an RV manufacturer, was not involved in the deal.

Goshen Coach was renamed The New Goshen Coach Corp.

It produces small- to medium-duty transit buses and recently won a contract worth more than $5 million for 112 para-transit buses.

GM, Ford register heavy lemon law losses in New York

By Helen Kahn
SENIOR CORRESPONDENT

In New York state last year, the percentage of lemon law arbitration cases lost by General Motors and Ford Motor Co. was higher than their market shares in the state.

A report by the state attorney general said Chrysler Motors' share of the lemon law arbitration decisions favoring consumers was less than its market share. Included in the Chrysler total were disputes involving vehicles produced by American Motors.

The biggest winners and losers were imported makes, according to the report.

Mercedes-Benz had the lowest percentage of arbitration decisions for consumers compared to market share, followed by Honda, Toyota and BMW.

Compared to its market share, Yugo had the highest proportion of losing decisions — 1.8 percent of total decisions for consumers compared to its market share of 0.3 percent — or six times greater than would be expected. Yugo was in a similar situation last year in New York state.

The report issued by the attorney general detailed the results of the warranty claim arbitration system established under the state's lemon law.

During 1988, 1,253 consumers in New York state won settlements, refunds or replacement vehicles worth $16.8 million, according to Attorney General Robert Abrams.

Overall, consumers won two-thirds of the cases concluded, and more than 73 percent received their money within 45 days of the decision. Of the 811 cases settled by cash refund, the average refund was $15,451.

Like the recent lemon law report from Massachusetts, New York compared the market share of various companies with their lemon cases. The findings were similar.

The report called GM's record "significantly" out of line. "Although GM accounted for just under 35 percent of the market, it had almost half of the total decisions for consumers, 40 percent greater than its market share," the report said.

The report compared GM's performance unfavorably with that of Honda and Toyota.

"Honda's share of the market was 4.7 percent while its percentage of the total decisions in favor of consumers (0.6 percent) was only 13 percent of its corresponding market share," the report said. "Toyota's share of the market (5.1 percent) was almost five times the proportion of awards issued against it (1.1 percent)."

This is the second year of the state's revised lemon law and the state arbitration program run by the American Automobile Association which will continue to arbitrate disputes through July 1990.

The attorney general's report called the state arbitration program a "significant catalyst" in generating 371 warranty repair dispute settlements. The manufacturer with the most settlements was Chrysler/AMC with 118. The automaker with the highest ratio of settlements to total cases was Volvo with seven out of 13, or 54 percent.

Now, Abrams and consumer advocates propose a state arbitration program for used cars. Noting the success of the new-car lemon law arbitration program, Abrams said the state's used-car buyers — which number about twice as many as new-car buyers — "should have the same access to a quick, inexpensive, fair arbitration program that new-car purchasers have."

The 1984 used-car lemon law mandates a dealer warranty covering major systems of used vehicles. If the car has 36,000 miles or less, the warranty must be 60 days or 3,000 miles, whichever comes first.

For cars with more than 36,000 miles, the warranty must be at least 30 days or 1,000 miles. The terms are the same as for new-car lemons: a reasonable number of repair attempts and then refund or replacement by the selling dealer.

NEW YORK LEMON LAW RESULTS

Make	State market share	Pct. of total 1988 decisions for consumers
General Motors	34.7	49.2
Ford	19.3	20.0
Chrysler*	16.7	15.0
Nissan	5.4	2.5
Toyota	5.1	1.1
Honda	4.7	0.6
Hyundai	2.0	1.4
Mazda	2.0	0.6
Subaru	1.6	0.7
Volkswagen	1.5	1.0
Mercedes-Benz	1.0	0.1
Mitsubishi	1.0	0.5
Volvo	0.9	0.3
BMW	0.8	0.2
Saab	0.5	0.6
Porsche	0.4	0.3
Jaguar	0.3	0.3
Yugo	0.3	1.8
Others	1.8	3.4

NOTE: Includes all passenger cars, light trucks and vans up to 10,000 GVW (gross vehicle weight).
*—Includes American Motors cars.

Ford warranty back in court

ALBANY, N.Y. — New York's top court has agreed to decide if Ford Motor Co. should repay millions of dollars to car owners who paid part of the cost of repairs that were covered by warranties.

Ford had been ordered to return the money by a lower state court. But the Court of Appeals has granted the automaker a chance to argue the case once more. At issue is whether Ford could charge customers $100 for powertrain repairs that were covered by a warranty.

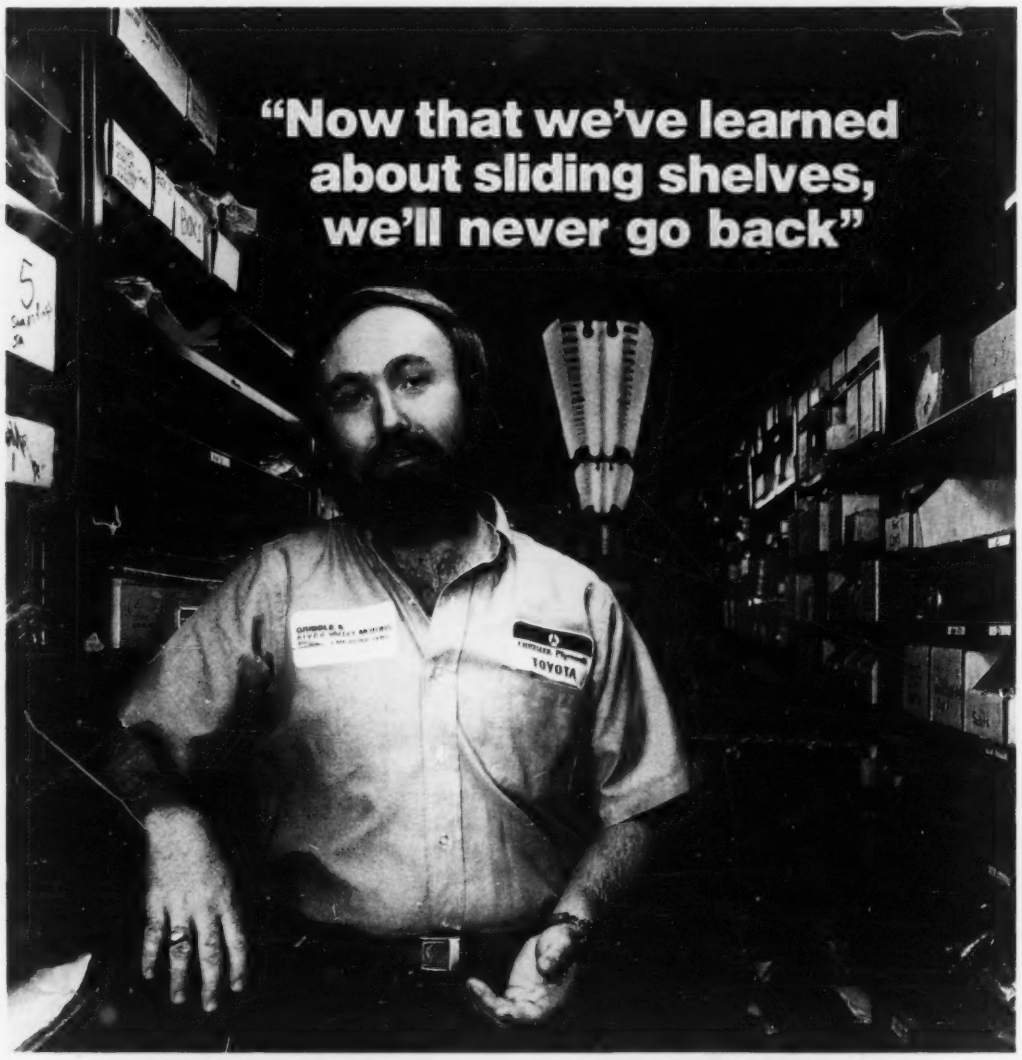
Attorney General Robert Abrams said the practice violated New York's lemon law, which says repairs in the first 18,000 miles or two years must be performed free.

Ford stopped charging the deductible in March 1987, the attorney general's office said.

Ford had said in court papers that granting restitution would cost some $5.3 million, a spokeswoman for the attorney general said.

Ross Lipman, a lawyer for Ford, said the total that will be refunded if the company loses the lawsuit hadn't been calculated and that Ford hadn't determined how many consumers were involved.

— The Associated Press



Chico Griffith, Parts Manager at Gribble's River Valley Motors in Lancaster, Ohio, knows a good thing when he sees it. So when it came time to spec storage bins for the parts room in Gribble's brand new Chrysler/Toyota building, he turned to Frick-Gallagher **Quick-Bilt® Parts Bins.** The bins with the sliding shelves.

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Ex-Avanti co-owner turns limo maker, plans sports car

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

Michael E. Kelly, former co-owner of New Avanti Motor Corp., has formed a limousine-building company and also plans to produce an American sports car named Legado.

Kelly sold his interest in Youngstown, Ohio-based Avanti to his partner, J.J. Cafaro, last year and subsequently founded AAMEK Corp. in Arlington, Texas, located between Dallas and Fort Worth.

Kelly said he will purchase many of the parts to produce the car, excluding the body, chassis and drivetrain, from Brazil. Much of the design work for the vehicle was done there, he added.

"We're not going to reinvent the wheel. I'm trying to introduce it (the car) at around $40,000," Kelly said.

"If we go much over that, it makes it a tough market."

The engine will be an aftermarket version of General Motors' 5.7-liter V-8 from the Chevrolet-Pontiac-Canada Group's Can Expo aftermarket sales operation, he said.

The engine, as it comes from GM, is designed for dealer installation in production Corvettes for sanctioned road-racing applications.

Experimental Automobile Corp. of Atlanta will tear down the engines, then blueprint, balance and reassemble them to closer tolerances, said Thomas Washburn, an Atlanta attorney and co-owner of Experimental Automobile.

Washburn, who was involved in stock car racing and engine rebuilding prior to becoming an attorney, said Experimental Automobile will modify the engines.

Each engine will be equipped with GM's regular Corvette injection system and an aluminum water pump for better cooling, for example. The engine, as sold by GM, has a carburetor and a water pump made of iron.

Washburn said the goal is to get about 345 horsepower from the engine.

He anticipates it will be at least three to four months before the first prototype will be submitted to the EPA for emissions testing and certification.

Legado will be a four-seater with a small back seat. Kelly said he hopes to begin producing the car on a second assembly line at AAMEK's plant by early 1990.

He acknowledged that the specialty-car field had produced "more obituaries than success stories."

"When I actually start the company, I'll probably take it public. But we won't take any investors until there's actually a prototype that you can drive," Kelly said.

Until then, he is bankrolling the vehicle's development himself.

Kelly said he won't pitch any dealers until he has a government-certified vehicle to display.

Kelly bought Avanti in 1986. Prior to that, he owned an Elkhart, Ind., van customizing company called Fantasy Vans. Before that, he ran a small-town auto body shop.

Michael Kelly's new venture, AAMEK Corp., based in Texas, builds limousines

In 1987, the Cleveland Plain Dealer reported that Kelly was sued by some of his former business partners who claimed he used at least $900,000 they invested in an ethanol plant to buy a house and the assets of the then-bankrupt Avanti Motor Corp.

The suit was settled out of court.

Kelly began producing Knight Koach limousines in suburban Dallas in mid-March and is currently turning out about two a week, he said.

AAMEK is pitching its limousines to corporate customers, hotels, resorts and funeral directors.

Knight Koach limousines are based on Lincoln Town Car and Cadillac sedans, extended 60 to 96 inches.

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Sales climb; truck gain tops cars

By Roger Rowand
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — Helped by an extra selling day, sales of new U.S.-built cars and light trucks inched upward in May's first 10-day sales period. Trucks led the way.

Domestic sales of cars and trucks rose 3.39 percent to total 328,956 units compared to 318,169 in 1988.

Retail deliveries of cars climbed 1.51 percent and totaled 207,353 units compared to 204,270 last year.

Cars moved at an average daily selling rate of 23,039 units, 9.77 percent below the average selling rate of 25,534 in 1988. There were nine selling days in the period this year and eight last year.

Light-truck sales were up 6.76 percent in the 10 days at 121,603 units compared to 113,899 last year.

Mazda dealers delivered 46.56 percent more cars in the May 1-10 span this year than last. Honda dealers moved 20.21 percent more, and General Motors dealers sold 1.80 percent more. Nissan sales slumped 47.16 percent from the year-earlier total, and Chrysler Motors' sales dipped 3.92 percent. Deliveries by Ford Motor Co. dealers were shaved by a skimpy 0.03 percent.

Toyota dealers sold 2,624 cars built in this country in early May, up 260.44 percent from last year when sales totaled just 728 units. Mitsubishi dealerships retailed 694 units in the 10 days.

Toyota began selling Kentucky-built cars in October 1988, and Mitsubishi began selling cars built in Illinois in February 1989.

For GM, combined truck and car sales rose 7.06 percent. Chrysler's combined sales were off 1.12 percent and Ford's were off 0.36 percent. Nissan's combined sales of U.S.-built cars and trucks were 40.03 percent below those of early May 1988.

DOMESTIC CAR SALES

	May 1-10, 1989	May 1-10, 1988
Eagle	1,025	1,573
Chrysler	5,844	7,674
Plymouth	8,125	8,279
Dodge	14,618	13,293
Chrysler Motors	29,612	30,819
Ford	41,160	41,840
Mercury	13,495	13,593
Lincoln	5,603	4,841
Ford Motor Co.	60,258	60,274
Buick	14,299	15,505
Cadillac	9,392	6,796
Chevrolet	39,794	41,099
Oldsmobile	18,754	19,267
Pontiac	21,751	19,485
General Motors	103,990	102,152
Volkswagen	—	823
Honda	8,494	7,066
Nissan	1,042	1,972
Toyota	2,624	728
Mazda	639	436
Mitsubishi	694	—
U.S. Car Total	207,353	204,270

Porsche 944 sales rise, trail '88

By Francis J. Gawronski
AUTOMOTIVE NEWS STAFF REPORTER

Although April sales of its 944 line trailed the year-earlier total, Porsche Cars North America attributed an increase over March's volume to price cuts ranging from 5.7 to 8.9 percent on those models.

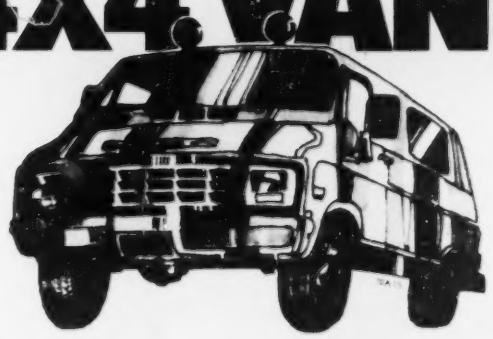
According to Porsche, total sales of the 944 series in April were 249, an increase of 35.33 percent over 184 in March. Those figures include some 924 models.

But compared with last year's results, 944 sales remain dismal. April sales of 249 were down 64.73 percent from 706 in 1988. With 924 sales factored out, sales were still off 58.39 percent.

A Porsche spokesman attributed the April vs. March gain in 944 sales to the price cut and more advertising.

Porsche's total April sales in the United States were 789, down 48.19 percent from 1,523 last year. The four-month count of 2,597 was down 56.35 percent from 5,949.

4X4 VANS



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AUCTION DATES

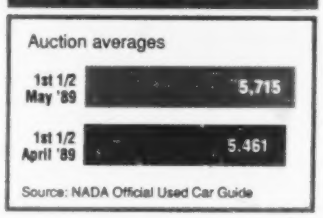
Chrysler Motors

May 23 — American Auto Auction, Walpole, Mass.; Arena Auto Auction, Chicago; Hatfield Auto Auction, Hatfield, Pa.; Nashville Auto Auction, Nashville, Tenn.; Florida Auto Auction of Orlando, Ocoee, Fla.; Portland Auto Auction, Portland, Ore.; Riverside Auto Auction, Riverside, Calif.; and Greensboro Auto Auction, Greensboro, N.C.

May 24 — A.D.E. of Birmingham, Birmingham, Ala., and Butler Auto Auction, Gibsonia, Pa.

May 25 — San Antonio Auto Auction, San Antonio, Texas; Northway Auto Exchange, Clifton Park, N.Y.; Aptco Auto Auction, Taylor, Mich.; Indianapolis Auto Auction, Indianapolis; Omaha Auto Auction, Omaha, Neb.; Southwest Auto Auction, Phoenix, Ariz.; and Ark-La-Tex Auto Auction, Shreveport, La.

Used car sales



May 26 — Manheim Auto Auction, Manheim, Pa.

Ford Motor Co.

May 23 — Greater Chicago Auto Auction, Chicago; Bay Cities Auto Auction, Hayward, Calif.; and South Seattle Auto Auction, Kent, Wash.

May 24 — Northway Auto Auction, Clifton Park, N.Y., and Fort Worth Auto Auction, Fort Worth, Texas

May 25 — Denver Auto Auction, Aurora, Calif.; Interstate Auto Auction, Mercer, Pa.; Minneapolis Auto Auction, Plymouth, Minn.; Nashville Auto Auction, Nashville, Tenn.; Southwest Auto Auction, Chandler, Ariz.; Skyline Auto Exchange, Fairfield, N.J., and 166 Auto Auction, Springfield, Mo.

General Motors

May 23 — Southern Auto Auction, East Windsor, Conn.; Dallas Auto Auction, Grand Prairie, Texas; and Manheim Auto Auction, Manheim, Pa.

May 24 — Atlanta Auto Auction, Atlanta; Clanton's Auto Auction, Darlington, S.C.; Southern California Auto Auction, Fontana, Calif.; Omaha Auto Auction, Omaha, Neb.; and Puget Auto Auction, Auburn, Wash.

Model breakdown

Year	1st 1/2 May '89	1st 1/2 April '89	1st 1/2 March '89
1989	$11,850	$10,974	$10,875
1988	8,657	8,207	8,630
1987	6,611	6,280	6,459
1986	5,613	5,419	5,489
1985	4,543	4,418	4,383
1984	3,657	3,693	3,611
1983	2,689	2,860	2,836
1982	2,155	2,135	2,157
Overall Average	$5,715	$5,451	$5,496

Source: NADA Official Used Car Guide

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Overcapacity put at 2.2 million

Study says glut will grow; 'vulnerable' plants pinpointed

By Charles M. Thomas
AUTOMOTIVE NEWS STAFF REPORTER

A new study predicts North American straight-time manufacturing overcapacity will grow to about 2.2 million cars and light trucks for the 1990 model year and to about 2.5 million in 1991 through 1994.

By adding overtime, North America is capable of building 4.2 million more units than the market demands, and that overcapacity will grow to 5.1 million units in 1994, according to a report by Autofacts Inc. of Philadelphia.

Too much vehicle manufacturing capacity in North America could have far-reaching effects on the UAW and component suppliers, said Autofacts President William R. Pochiluk.

The study concludes transplant companies are the winners, based on their ability to start up and capture production shares.

In the near term, there is a shortage of truck capacity and too much car capacity, Pochiluk said. But by the middle of the next decade, there will be too much truck capacity, he said. Mexican production was not included in the report.

Analysts for the consulting firm concluded there is little evidence that the current overcapacity problem is improving.

"People are assuming that it is getting better," said Pochiluk. "It isn't. Our analysis shows that as the transplants become more involved in the truck business, overcapacity could increase to 3 million vehicles or more" — including pickups, mid-sized vans and utility vehicles.

Pochiluk predicted that by 1994, seven assembly plants will open and three will close permanently. Straight-time capacity will expand 14 percent by 1994, reaching 16.3 million units, the study said. With overtime, it will soar to 18.9 million units.

That contrasts with Pochiluk's production projections averaging about 13.2 million vehicles per year between 1991 and 1994.

Last year, North American car and truck capacity totaled 14.3 million units. The overall capacity utilization rate in North America based on straight time was 90 percent.

There are 82 automotive plants producing cars and light trucks in North America with a combined straight-time capacity of 14.2 million light vehicles and an overtime capability of 16.6 million, according to the study.

Autofacts projected 1989 car and light-truck production at 12.4 million, representing a capacity utilization rate of 87 percent.

Ford Motor Co. led other domestic and transplant companies in capacity utilization in 1988 by a huge margin, reflecting its widespread use of overtime.

Capacity utilization for all Ford manufacturing plants was 106 percent overall, compared to 81 percent for General Motors and 91 percent for Chrysler Motors. Transplants had an overall rating of 88 percent, but many of the transplants were in start-up or changeover modes.

New United Motor Manufacturing Inc., the joint venture of Toyota and GM in Fremont, Calif., registered the lowest capacity utilization rate — 58.6 percent.

"NUMMI was bad on the car side," Pochiluk said. "It has an identity crisis that the (Chevrolet) Geo is an attempt to correct. Yet, the Geo has not caught on with the consumers because of an image and identity crisis."

Chevrolet last year began marketing its imports and its cars from NUMMI under the Geo banner.

Toyota also plans to make better use of the plant by building light trucks there beginning in 1991.

Autofacts lists the plants coming onstream as:

- Chrysler's new Jefferson Avenue plant in Detroit, going into operation in 1992. Chrysler plans to close the existing Jefferson plant thereafter.
- Ford's Avon Lake, Ohio, plant, which will build the VX54 minivan with Nissan in 1991.
- GM's Saturn plant in Spring Hill, Tenn., expected to be completed next summer.
- The Cami Automotive plant in Ingersoll, Ontario, scheduled to begin production of its new car and light truck this year. It is a joint venture of Suzuki and GM.
- Honda's East Liberty, Ohio, plant, which opens this year for 1990-model production.
- Nissan's new plant in Smyrna, Tenn., scheduled to open in 1992 for the Stanza replacement.
- A joint venture of Isuzu Motors and Fuji Heavy Industries, now in the start-up phase in Lafayette, Ind. It will build cars and light trucks for Isuzu and Subaru of America.

Typically, a plant has to average 120,000 units before it breaks even, Pochiluk said.

Canada currently represents 9 percent of the consumption of North American-built vehicles and 14 percent of production. Pochiluk expects consumption to remain steady while Canada's share of production rises to 19 percent by 1994. That could cause a rift between the UAW and the Canadian Auto Workers, he said.

"The UAW will want to know why Canada has a disproportionate share of capacity vs. consumption," he said. "If the UAW views Canada as an outsourcing problem, then it could lead to increased protectionism."

Pochiluk characterized the conclusions of the study as particularly important for parts suppliers, which often are pressured to increase capacity and reduce prices by automakers that promise huge volumes.

Some overcapacity — 750,000 to 1 million vehicles — is necessary to meet production peaks and valleys or other surprises like work stoppages, he said.

Pochiluk said no Ford plant in North America is vulnerable to closure.

Although he downplayed Autofacts' list of most-vulnerable plants, he said the report reflects the company's reading of the relationship between demand and supply. His list includes:

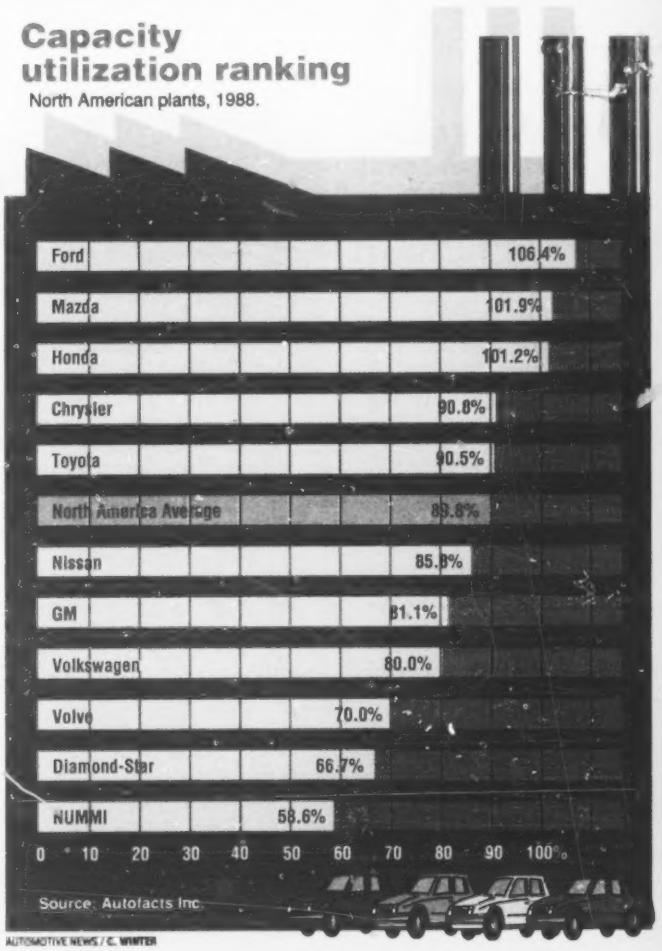
- Chrysler's Jefferson Avenue plant in Detroit is expected to close in 1993-94. The plant is being replaced by a new facility.
- Chrysler's Toledo, Ohio, plant, which builds Jeep Cherokee, is vulnerable in 1995 and 1996. Pochiluk predicted competition from other producers of four-door utility vehicles will reduce Cherokee market share. And Chrysler has already announced that the Jeep ZJ will be produced at the new Jefferson plant.
- Chrysler's Pillette Road plant in Windsor, Ontario, which builds full-sized vans, is vulnerable in 1993 to 1995 because of competition with extended mid-sized vans, including Chrysler's own entry.
- Chrysler's St. Louis No. 1 plant is vulnerable in 1995 and 1996 because the new LH/LX products are slated to be produced at other facilities. The LH/LX platform will be the first all-new platform for Chrysler since the K-car and will be the basis of much of Chrysler's future lineup.
- GM's Ste. Therese, Quebec, plant is said to be vulnerable in 1991 to 1993. It makes Cutlass Ciera and Chevrolet Celebrity. Pochiluk said both products are "redundant" with other GM models, most notably the Ciera wagon competing with the new Oldsmobile Silhouette plastic minivan.
- Pochiluk predicted GM's Lakewood plant in Atlanta will be replaced by Willow Run in Ypsilanti, Mich., in 1990 as the GM300 project — Chevrolet Caprice, Buick Roadmaster and the rear-drive station wagons — moves there. No product has been scheduled for Lakewood.
- GM's Lordstown, Ohio, plant is said to be vulnerable in 1993 to 1995 because it is one of two plants that build full-sized vans. GM is investing in the other plant, in Scarborough, Ontario, to build the extended full-sized van. Pochiluk expects that pressure from mid-sized vans will make Lordstown vulnerable.
- GM's Van Nuys, Calif., plant is vulnerable to closure in 1993 due to costs; the Camaro and Firebird built there are expected to move to a Michigan facility by 1993.
- Pochiluk believes GM's Lansing, Mich., plant is vulnerable to closure in 1992 because by the mid-1990s, GM will have significant excess capacity for mid-sized cars, partly because of Saturn.
- The NUMMI plant is vulnerable to closure after 1993 because it produces vehicles at the low end of GM's lineup. The Geo Prizm is in competition with GM's J-cars (like Chevrolet Cavalier) and L-cars (Corsica/Beretta) and Saturn.

A spokesman for GM said the company doesn't comment on speculation.

GM has said it will boost its capacity utilization rate to 100 percent by 1992. It has not said how it will accomplish that, but analysts say it will require the closing of up to five assembly plants.

A Chrysler spokesman said it has its house in order regarding capacity.

Autofacts has been in business since 1985 and churns out about 160 reports on the auto industry annually. The company spent six months on this study, which was conducted by questionnaires and personal interviews with company representatives and union officials. The study sells for $5,000.



CAPACITY UTILIZATION

% utilization of North American plants, 1988

	Cars	Light trucks	Light vehicles
Ford	104.4	109.4	106.4
Mazda	101.9	N.A.	101.9
Honda	101.2	N.A.	101.2
Chrysler	84.1	99.1	90.8
Toyota	90.5	N.A.	90.5
Nissan	91.7	80.0	85.8
General Motors	73.6	101.8	81.1
Volkswagen	80.0	N.A.	80.0
Volvo	70.0	N.A.	70.0
Diamond-Star	66.7	N.A.	66.7
NUMMI	58.6	N.A.	58.6
North American average	83.6	103.0	89.8

Source: Autofacts Inc.

Campbell, Lex shop for U.S. outlets

By Daniel Ward
STAFF CORRESPONDENT

LONDON — Campbell Automotive Group, a Southern California dealership chain that is half-owned by the publicly held British group Lex Service, plans to buy another dealership this year as it aims to double its size.

In February, Campbell bought its eighth store, a Buick-GMC outlet in Riverside County, Calif. David Beck, managing director of Lex Retail here, said expansion is likely to be with U.S. franchises rather than imports.

"We are not in a process of revolution at Campbell," Beck said. "We do want to double its size, but we don't overpay for dealerships, and some of the prices are way over the value.

"Lex is in no hurry because I want to do it at sensible prices," he added.

Beck spent a year in the United States before the joint venture with dealer John Campbell was signed last year.

Since the Campbell deal, Lex has been inundated with offers from owners to sell their U.S. dealerships. Beck said he believes many see harder times ahead.

He said the Campbell group will invest $5 million in two Saturn outlets in Southern California.

Lex is learning from its involvement with Campbell and is contributing to the California group's expansion. Beck said he does not believe that a flood of United Kingdom motor groups will follow Lex into the U.S. market.

Beck said Lex already has learned the value of a high investment in customer service to achieve high customer satisfaction index ratings. Manufacturers' use of the CSI to monitor dealer performance is still at an early stage in Britain.

The British executives have been surprised at the volatility of U.S. dealerships, whose profits are much more closely linked to the success of the manufacturer than in the United Kingdom.

Beck said that in Britain, dealers have been more successful in developing their service, parts and used-car operations, which cushion a drop in new-car sales.

Commenting on the benefits of ownership by a motor group with 62 outlets in Britain, Beck said, "Our advantage is that we can bring to an organization like Campbell the knowledge of running a large group, which is a relatively new phenomenon in America, and the long experience of operating on thinner profit margins."

DAWSON

FROM PAGE 2

some of the land was purchased by Dawson.

But Dah Chong Hong wanted to purchase some of the dealerships before the auto mall was completed and offered Dawson "a very attractive price," according to Dawson's spokesman Ekman. The sale was to occur May 1. But several regulatory and manufacturer approvals were not received in time, and Dah Chong Hong backed out.

"There were enough contingencies and conditions, and not all of the conditions were met by all of the parties involved," said Billy Wong, Dah Chong Hong's chief financial officer in its U.S. administrative office in New York.

But Kelly said the real problems for Dawson came when representatives from Dah Chong Hong sent the statutory bulk sale notice to Dawson's creditors. It listed liabilities of the properties in the proposed deal at $25.9 million and a purchase price of $20 million.

Many of the dealership chain's creditors — believing that Dawson's debt exceeded the selling price and that bills wouldn't be paid on time — demanded cash-only transactions with all the businesses of the chain.

"It looked like a fire sale," said attorney Kelly. He said the statement that Dawson would not pay its creditors on time was erroneous.

Kelly said actual liabilities for the dealership chain are "well below" the $25.9 million listed. The Dah Chong Hong representatives did not subtract the more than $6 million in loans made to the dealership by Hanley Dawson Jr.

Kelly said that in a bulk sale notice, all debts, including contested and contingent debt that may not ultimately be owed, must be listed. But the notice lists only the assets being sold and excludes other assets such as cash or real estate.

Kelly said Hanley Dawson Leasing Co., which operates the leasing, service and Chrysler-Plymouth outlet, suffered most from the creditors' cash-only requirement.

"The Cadillac-Chevrolet operations did not have as many pressures and demands from creditors and a lack of ability to operate on a cash-only basis," Kelly said.

Ekman said the leasing business and Chrysler-Plymouth sales were not up to the company's expectations. Dawson purchased the Chrysler-Plymouth store about five years ago.

Hanley Dawson Leasing is also the operating manager for the import store, though the parent company for the store is under a different corporate name.

All of Dawson's facilities are leased, and the company is completing a renovation of the Cadillac-Chevrolet store on Rush Street.

In the bankruptcy filing, Hanley Dawson Leasing Co. listed total assets of $10.4 million and liabilities of $15.6 million. Secured debt was listed at $9.3 million with "approximately three holders."

The largest secured creditor is General Motors Acceptance Corp., the floorplan lender for the entire group of Hanley Dawson companies, Kelly said.

Other liabilities, excluding contingent or unliquidated claims that might not ultimately be owed, were listed at $6.5 million with approximately 250 holders.

Among the creditors are several other dealerships, including Patrick Saab and Patrick Mitsubishi, which are owned by Dawson's son, Hanley Dawson III. The son owns the Patrick Group, a chain of dealerships in suburban Chicago. Soon after negative publicity surfaced on his father's stores, Hanley Dawson III sent out a profile sheet on his chain of dealerships.

The profile sheet explained that the Patrick Group is a "separate and distinct dealership from the 'downtown' Hanley Dawson dealerships." The father and son also own Dawson & Dawson advertising agency with long-time associate Ekman. The agency is not expected to be affected by the bankruptcy filing, but it is listed as a creditor.

Automakers and their subsidiaries listed as creditors include: Chrysler Corp., Chrysler-Plymouth Division, Chrysler Credit Corp., General Motors Acceptance Corp., Mitsubishi Motor Sales of America, Toyota Motor Distributors, Toyota Motor Credit, Saab-Scania of America and Mid-America Subaru (distributor).

Hanley Dawson Leasing Co. receives the bills for parts and merchandising materials (showroom signs, etc.) for the import stores. Therefore several import companies are listed as creditors.

Dawson continues to talk to interested parties about the sale of some of his dealerships, Kelly said.

Kelly added that the auto mall project has been halted until Dawson can find an investor to replace Dah Chong Hong.

European 'experts' wrong again

Car sales jump 10% in April despite analysts' gloomy guesses

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — European new-car sales jumped unexpectedly in April — once more upsetting predictions that a downturn in the world's largest auto market is at hand.

After zero sales growth in March, which most analysts took as confirmation that a decline had arrived, April volume rose more than 10 percent, according to industry estimates compiled by Automotive News.

Still, analysts aren't convinced that European sales will continue to expand at the record pace of the past three years. Most expect the market to decline in the second half of 1989.

"The market still reflects a very high level of incentivizing," said Stephen Reitman of UBS Phillips & Drew.

Sales in 17 Western European countries rose 7.5 percent to 4,887,900 during the first four months of 1989. Most analysts predicted 1989 sales would drop 3 to 5 percent from 1988's record 12.91 million.

The 10.4 percent rise in April to 1,263,700 units reflected gains in all of Europe's major markets.

Volkswagen AG rode the strong German market during April and narrowed the gap between itself and first place Fiat Auto in company sales rankings. VW sales increased 16.6 percent during the month to 200,300 units — 20,000 more than Fiat Group.

For four months, VW sales — including the VW, Audi and Seat brands — totaled 707,500, an increase of 9.5 percent over 1988 and a 14.5 percent market share.

Fiat Group sales — including the Fiat, Lancia and Alfa Romeo brands — climbed 11.4 percent in April to 180,200. Four-month sales were up 6.2 percent to 750,300, a 15.3 percent share.

Most analysts expect Fiat to hold its lead after finishing in a virtual dead heat with VW in 1988.

"For 1989, we expect the gap between the two market leaders to widen considerably in favor of Fiat," said DRI-Europe in its latest World Automotive Forecast Report. "This is partly because we expect the Italian market to remain strong this year while the West German market falls by 2 percent."

One surprise in April was the laggard performance of Peugeot S.A., by far Europe's fastest-growing volume maker during the past two years.

Its sales were up 12.7 percent during the first four months of the year — best among the six volume makers. Volume was 653,900, good for third place and 13.4 percent of the market. But Peugeot's 5.1 percent April increase to 154,300 units tied Ford for the lowest year-to-year gain among the Big 6.

Analysts feel Peugeot's sales were affected by arch-rival Renault's incentives on the mid-sized R-21 in France. The R-21 formerly was sold as the Eagle Medallion in the United States.

Renault's marketing push in France helped it surge 23 percent in Europe overall to 142,600 sales in Europe for the month. Its gain of 23 percent was the biggest of any European manufacturer. Renault was up nearly 10 percent to 517,400 through April, good for 10.6 percent of the market.

The gap between fourth-place Ford and fifth-place General Motors is narrowing. Ford sales increased 6.9 percent to 550,400 for the first four-months of this year, an 11.3 percent share. Meanwhile, GM was up 11.4 percent to 539,900 units, for 11 percent of the market. Last year, Ford's share was 11.4 percent to GM's 10.7 percent.

Mercedes-Benz sales in Europe were down 0.4 percent in April and slumped 5.4 percent for the first four months. Its January-April total of 154,900 equaled 3.2 percent of the market. In Germany, Mercedes was down almost 12 percent for the year.

Mercedes continues to suffer from the collapse of diesel demand in its home market, where the 190, mid-range W 124 and S-class have all declined this year.

Meanwhile, rival BMW is still running strong. Sales were up 18.9 percent in April to 37,400 and the four-month total was up 22.5 percent at 141,100 units. In Germany, BMW was 23.3 percent ahead for January-April, with most of the gain attributable to the new 5 series.

Nissan continued to lead the Japanese manufacturers with a year-to-year increase of 9.9 percent for four months. Nissan's sales were 138,400. Second-place Toyota declined 3.3 percent to 115,800 and a 2.4 percent share through April.

Among national markets, West German sales through April were 7.4 percent higher than last year at 1,010,800 units. April sales were up 6.5 percent to 303,000 cars.

Italian sales rose 21.3 percent in April to 220,100 units. Italy was up 8.9 percent to 895,200 for January-April.

Sales in the United Kingdom rose 15.3 percent in April to 191,300 and for the first four months of 1989 were 9.6 percent ahead of last year at 822,500. French sales increased 9.4 percent in April to 206,000 and were up 9 percent at 791,600 for four months.

Spain, Europe's hottest market during the past three years, cooled down in March, but picked up again in April. April sales climbed 22.7 percent over last year's to 95,000 units. The four-month total of 388,200 was 12.9 percent ahead of the 1988 total.

EUROPEAN SALES

Manufacturer	4 Mths. 1989	1989 share*	4 mos. 1988	Volume Change '89 vs '88
Fiat Group*	750,300	15.3	706,200	+ 6.2
VW-Audi-Seat	707,500	14.5	646,100	+ 9.5
PSA**	653,900	13.4	580,200	+12.7
Ford	550,400	11.3	514,800	+ 6.9
General Motors***	539,900	11.0	484,500	+11.4
Renault	517,400	10.6	471,000	+ 9.9
Mercedes-Benz	154,900	3.2	163,700	– 5.4
Austin Rover	145,700	3.0	157,000	– 7.2
BMW	141,100	2.9	115,200	+22.5
Nissan	138,400	2.8	125,900	+ 9.9
Toyota	115,800	2.4	119,800	– 3.3
Volvo	99,500	2.0	95,700	+ 4.0
Mazda	85,400	1.7	87,100	– 2.0
Mitsubishi	57,600	1.2	51,600	+11.6
Honda	45,400	0.9	48,600	– 6.5
Others	184,700	3.8	178,700	+ 3.4
Total	4,887,900	100.0	4,546,100	+ 7.5

*—Includes Alfa Romeo
**—Peugeot, Citroen, Talbot
***—Opel, Vauxhill, GM-U.S. Canada

NEW-CAR SALES BY COUNTRY IN EUROPE

Country	4 mos., 1989	Percent gain/loss
West Germany	1,010,800	+ 7.4
Italy	895,200	+ 8.9
United Kingdom	822,500	+ 9.6
France	791,600	+ 9.0
Spain	388,200	+12.9
Netherlands	222,000	– 0.9
Belgium-Luxembourg	185,000	– 1.3
Switzerland	125,000	+11.0
Sweden	105,800	– 8.0
Austria	103,100	+15.8
Portugal	71,400	+12.0
Finland	67,900	+ 5.7
Ireland	32,400	+26.8
Denmark	30,400	–16.0
Greece	19,700	+ 7.6
Norway	16,900	–34.6
Total	4,887,900	+ 7.5

GM adds development managers

By Dutch Mandel and Michelle Krebs
AUTOMOTIVE NEWS STAFF REPORTERS

General Motors has strengthened the role of its development engineers in bringing new products to market.

GM's Chevrolet-Pontiac-Canada Group has added senior-level engineers — now called vehicle development managers — to its vehicle development teams to work more closely in the manufacturing phase of specific models and give the group more organizational muscle.

The new assignments "reflect a refinement and enhancement" of GM's systems engineering, a C-P-C spokeswoman said. Systems engineering is the simultaneous engineering of the vehicle and manufacturing process.

Making senior engineers vehicle development managers will give greater importance to individual platforms and will give development engineers a louder voice in GM's decision-making process.

Four engineers were named.

Neil Ferguson, former director of reliability engineering for C-P-C, has been named vehicle development manager for the GM300 program. That program is charged with redesigning the large rear-wheel-drive sedans and wagons.

John W. Heinricy, former Chevrolet product engineering manager for the Corvette, Camaro and Pontiac Firebird platforms, has been named Corvette vehicle development manager.

Edward A. Vaughan, former assistant staff engineer at the GM truck and bus group, will oversee the GM200, the company's all-purpose-vehicle program.

Norman G. Fugate Jr., previously model-year manager for the 1990 Chevrolet Lumina, becomes vehicle development manager for the Chevrolet Camaro and Pontiac Firebird platform June 1.

Overseeing the vehicle development managers is Jack Turner, who is technical director of vehicle development and validation.

Alfa ads list reasons not to buy its cars

By Raymond Serafin
CRAIN NEWS SERVICE

Alfa Romeo is making an unabashedly emotional pitch for its Spider, going as far in a new campaign as listing logical reasons not to buy the car.

The Spider, a two-seater convertible, is positioned as a fun, perfect-for-summer vehicle in a series of print ads and television spots that broke May 15.

The campaign is designed to boost awareness and enthusiasm for Alfa Romeo as the company heads toward the U.S. launch of its 164 luxury sedan this fall. Jack Frakes, Ross Roy executive vice president, executive creative director, said it is important to "enhance the badge" to set the stage for the 164.

The campaign is the first major effort by the advertising agency, which acquired the account after Chrysler Motors and Alfa's Italian parent, Fiat Auto, formed a joint U.S. distribution company. Alfa Romeo Distributors of North America is relocating from Englewood Cliffs, N.J., to Orlando, Fla.

One television spot, as well as a print ad, presents reasons "against" the Spider.

In the commercial, a woman is heard thinking out loud — as the car is shown in closeups — about such issues as limited ability to carry passengers and luggage and the problem of windblown hair. The camera pulls back to reveal her on a beach with the Spider, as the voice-over says, "Two compelling facts remain — it's summer, and it's an Alfa Romeo."

In print, after reasons "against" the Spider are listed, the "for" side simply shows the Italian roadster, with its top down.

CAFE

FROM PAGE 1

tioned to lower CAFE and should have no problem meeting the 1990 CAFE, said Al Slechter, director of government affairs. Chrysler projects a 1989 CAFE of 27.7 mpg.

To try to meet the higher standard, Ford and GM could restrict the production of larger performance and family cars. But neither car company wants to limit production of those higher-profit vehicles that drag down their CAFE.

"Americans want larger, family-size vehicles, and we'll make what the market demands," a GM spokesman said.

A Ford spokesman said: "Our projection for 1990 will be dictated by the market, inflation and interest rates. We're not sure the government is ready to get in the business of telling people they can only drive a certain type of car."

Both Ford and GM said they will technically be in compliance with the law through at least 1990 by using credits accumulated during years when CAFE was rolled back.

Pleading hardship, GM and Ford petitioned for a reduction of CAFE for each of the 1986 through 1989 model years. The Reagan administration administration rolled CAFE back to 26 mpg for 1986 through 1988 and 26.5 for the 1989 model year.

NHTSA did not have projections for the foreign manufacturers for 1990. But BMW, Mercedes-Benz, Peugeot, Porsche, Saab and Volvo said that based on 1989 projections, they will not meet the 1990 standard. Only Saab expects to meet the 1989 standard.

Jaguar declined to comment, but industry experts pointed out that Jaguar had a CAFE of 22 mpg in 1988 and projects a 1989 CAFE of 20.1 mpg.

Dealers will ultimately get fewer high-performance imported cars, said Robert McElwaine, president of the American International Automobile Dealers Association.

"European carmakers who only have one line of cars don't have small economy cars to balance off luxury lines," he said.

Mercedes-Benz, which had a 1988 CAFE of 21.3 mpg, said it will import more diesels to improve its average fuel efficiency. But even with the new diesel engine the company is expected to introduce in the next year or two, "We're still looking at the numbers, and we're not sure it will work out," a spokesman said.

Volvo, whose 1988 CAFE was 26.0 mpg, said the parent company's minute size makes it nearly impossible to make overnight adjustments.

"We don't have fuel-efficient engines to whip into a car," a spokesman said.

"We don't have any choice than to pay penalties. We don't have the magic formula."

Saab met the 1988 CAFE of 26.5 and expects the same CAFE for 1989, but won't meet the 1990 standard.

"We'll have a hard time with 27.5, and though we've never paid a fine, we don't have any credits," a Saab spokesman said.

BMW has not announced model plans for 1990, "but it looks like we will still be paying a penalty," a spokesman said.

Credits will help GM and Ford for the 1990 model year. But both companies are running short of credits achieved in the heyday of the Reagan administration.

CAFE was enacted in 1975 as a gas-saving measure and the 27.5 mpg level was targeted beginning with the 1985 model year. The law allowed rollbacks which the Reagan administration took advantage of while proposing to eliminate the standard altogether.

Serious efforts to raise the CAFE standard did not mushroom until last summer, when a drought and especially hot summer focused attention on the potential of global warming.

Legislative support of a higher CAFE has grown since the new Congress went into session after the November election.

The movement to increase CAFE has received keen support from EPA Administrator William Reilly. He has advocated a CAFE of 40 or 50 mpg by the year 2000 in response to the greenhouse effect.

Some consumer advocates are heralding the decision to return to 27.5 mpg as a clear sign of what's ahead. Clarence Ditlow, director of the Center for Auto Safety, said the decision may pave the way for a CAFE of 45 mpg by the year 2000.

Previously, the decision on CAFE was left to the secretary of transportation. The latest decision was ultimately made at the White House, after recommendations from more than a half-dozen agencies, including EPA and the Department of Energy.

The decision went through so many layers that the industry knew well in advance of last week's announcement that CAFE would revert to 27.5 mpg.

In announcing the change, Transportation Secretary Samuel Skinner voiced concern over the nation's dependence on imported oil and said "that the 27.5 level would not have a serious economic impact on the auto manufacturers or on domestic employment."

While Chrysler meets the new limit, company officials have been calling for a substantial gasoline tax to encourage buyers to seek more fuel-efficient cars.

"If you want to raise fuel standards significantly above 27.5 mpg, you need two things," said Chrysler Corp. Chairman Lee Iacocca. "We need at least five years of lead time. We are finished with the 1991 and 1992 models. And we need some consumer pull in the form of a gas tax. They've got to get the consumers to demand those types of vehicles just as they do in Europe in Japan."

Because gas costs more than $3 gallon in those areas, there is no need for fuel economy laws since demand is automatically created for small cars, Iacocca said.

GM blasted the Bush administration decision, calling CAFE a "misguided regulatory program."

In a statement, GM said the 1990 CAFE endangers jobs and threatens U.S. competitiveness. A spokesman said GM ...ould resort to closing plants if needed. GM did not provide any economic data to support its charges.

A Ford spokesman said, "CAFE does not address the problem of conserving fuel anymore."

Ford has been advocating that each manufacturer be required to make a percentage increase in CAFE, rather than have to comply with a flat figure.

That kind of remedy is also favored by AIADA as a way to relieve European luxury automakers of the massive fines they face. Mercedes has been told it will owe $20.5 million for failing to meet the 1987 standard. Last December, it paid $20.2 million for not meeting 1986 CAFE.

Jaguar is expected to be liable for $8.14 million for 1986, $5.32 million for 1987 and $5.54 million for 1988, according to NHTSA.

A percentage increase could also subject the Japanese automakers to higher CAFEs and make it harder for them to penetrate the luxury market.

Budget Rent A Car Corp., one of the nation's largest rental companies, said it does not expect manufacturers to push more subcompacts on rental fleets as a result of the higher CAFE. But a Budget spokeswoman said there will undoubtedly be fleet incentives to entice rental companies to buy subcompact cars.

"The manufacturers are making it a priority to sell us more small cars," she said.

Unaffected by the car CAFE change were the rollbacks for 1990 and 1991 light-truck fuel economy standards that had been announced in March 1988 by the Reagan administration. To change truck CAFE, NHTSA must give makers two years' lead time.

For 1989, each manufacturer must meet either a 20.5 mpg average for its light-truck fleet or 21.5 mpg for its two-wheel-drive vehicles and 19.0 mpg for four-wheel-drive versions. Those standards were rolled back to 20 mpg for combined light trucks or 20.5 mpg for 2wd drive and 19 for 4wd during 1990. The standards were rolled back for 1991 to 20.2 mpg combined and 20.7 for 2wd and 19.1 for 4wd during 1991.

Dingell vows to fight efforts to increase CAFE

By Diana T. Kuryiko
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Rep. John Dingell, D-Mich., one of Detroit's staunchest supporters, said he will oppose any attempts by Congress to raise the corporate average fuel economy standard.

In a speech before the American Coalition for Traffic Safety, a safety lobby founded by the Big 3, Dingell said raising CAFE to high levels could have "anti-competitive consequences" and encourage the importing of fuel-efficient foreign-made cars.

"If we handle this matter badly, we will essentially export a major part of the auto industry," Dingell said.

"We can make cars that get CAFEs far beyond what the law now requires but there would be two problems: One is, will they sell, and the other is, will they run," Dingell said.

The current CAFE standard is 27.5 mpg. NHTSA reduced it to 26.5 mpg for 1989 models.

Rather than raise the CAFE for new cars, Congress should tighten maintenance and inspection requirements, Dingell said.

The congressman said he will introduce improved emissions inspection and anti-tampering legislation as an amendment to the Clean Air Act. "Real safety and emissions inspections must be undertaken by all states, not just a few," he said.

An aide to Dingell said the proposed amendent will close loopholes that permit tampering with emissions equipment to boost performance. The legislation has the support of the aftermarket industry, Dingell said.

Dingell is chairman of the House Subcommittee on Oversight and Investigations of the House Energy and Commerce Committee, one of the most powerful subcommittees on Capitol Hill. His subcommittee has held hearings on CAFE, but this is the first time Dingell has openly opposed raising CAFE.

CHINA

FROM PAGE 1

Jeep joint venture from September 1985 to July 1988 and left when, as stipulated in the agreement, it became the Chinese partner's turn to appoint the top executive of the company. St. Pierre could have stayed on, but he said he did not want to serve as second in command after running the operation for 2½ years.

Before Beijing Jeep, he was president of Jeep Japan, an AMC subsidiary that imported and distributed Jeeps. Earlier, St. Pierre was general manager of Jeep Indonesia, an assembly operation.

Beijing Jeep is one of the largest joint ventures with China's state-run auto industry. The company produces 5,000 to 6,000 four-wheel-drive Cherokees per year under license from Chrysler Corp., which inherited its share in the deal by acquiring AMC.

The operation gained notoriety in 1986 following a spectacular row between St. Pierre and senior Chinese government officials when it looked as though the company was going to collapse. The Chinese side had run out of hard currency and refused to pay foreign exchange for imported parts and kits.

St. Pierre managed to get a letter delivered to then Prime Minister Zhao Ziyang, now the Communist Party leader, which hinted that unless the money was made available, the Americans would pull out of the company. It asked Zhao to consider the impact of such a move on other potential overseas investors.

St. Pierre took the highly unusual step of publicizing the problem and making it a high-profile issue. The influential Zhu Rong Ji — now mayor of Shanghai — was dispatched as the government's main troubleshooter.

The result was five days of tough negotiations in May 1986 and a final agreement reached in October, after which the Chinese delivered $5 million. That cleared the way "and orders (for vehicles) started flooding in," St. Pierre said. "It was unbelievable."

Now working as managing director of FMC Corp.'s Hong Kong-based China operations, St. Pierre can speak more freely of his experiences at Beijing Jeep and give more candid views on the state of the Chinese auto industry, an industry with which he retains close connections. FMC is a conglomerate whose products include chemicals and tractors.

St. Pierre still sees opportunities for technology transfers and licensing agreements and says pickups, luxury sedans and utility vehicles remain promising niche markets in China.

But his preferred mode of operation is the joint venture rather than licensing agreements.

"I always recommend joint ventures," he said. "There's more negotiation up front but more control afterwards" since the partner is allowed to share in the operation of the venture.

In view of his run-ins with the Chinese government, there are drawbacks to joint ventures, too.

He said it is unrealistic for China to think of becoming a major exporter. He said the country cannot immediately achieve internationally recognized quality standards.

He recalled that during his three years in China, "we never got a part that made spec. Every part had one problem." He said the Chinese attitude is that "close enough is good enough. I guess that may change, but I doubt it."

St. Pierre said China keeps pushing foreign companies to use a higher percentage of locally made parts in their products, but the experience of foreign companies has been that local suppliers cannot meet the standards required. He said he feels more foreign suppliers in China could ease that problem.

P.C. Chan, business development manager for General Motors' China operation, is far more upbeat.

"We do think there are opportunities in China," he said. "There's a big potential for investment. If we thought otherwise, we would not have had an office in Beijing since 1982." GM currently has a deal for the Chinese to build four-cylinder engines under license from GM, but to date, a vehicle for the powerplant has not been announced.

Chan said that even if the Chinese are aiming at self-sufficiency, China is a big market and it will take a long time for domestic suppliers to satisfy demand.

"They need help and need investment and need technology," Chan said. "There is an opportunity for foreign companies."

St. Pierre's views appear to be widely held within the many Japanese companies that have been eyeing the China market.

An executive from one of them, who asked not to be named, said, "If you ask me what Japanese companies think about investing in China, I have to ask you: Have you heard of any Japanese company putting money into China?" To date, they have not, and the source said that reluctance is the root of "a big problem for us in our relations with the Chinese government."

Despite painting a pessimistic picture of the Chinese auto industry, St. Pierre remains convinced that AMC was right when it formed the Beijing Jeep joint venture in 1985.

"We put only $8 million in that company and have made way more than that," he said. While the assembly operation has made only about $4 million, the real money is made in selling the kits to the operation, he said.

But it also had its pitfalls, as evidenced by St. Pierre's 1986 row with the Chinese. His game of brinkmanship was played in a way that other foreign companies had not dared to try.

"The situation was desperate," he recalled. "Nobody in China seemed to understand the problem. It was like they thought the money would appear out of smoke or that AMC would supply it."

Other investors in China typically take the view that the only way to succeed is to play along and weather the storms. St. Pierre believes there comes a time when silence will not work.

"It was really surprising," he said. "There were no repercussions whatsoever. We suddenly started getting really good treatment." He maintained that the row with Beijing Jeep helped other foreign companies that were experiencing difficulties.

PRODUCTION

Car output climbs 2%; trucks firm

By Kathy Boyer
AUTOMOTIVE NEWS STAFF REPORTER

Domestic automakers scheduled production of 163,406 units last week, 2.30 percent above the previous week's 159,730 but 4.72 percent below the year-ago week's 171,493.

So far this year, 3,019,431 cars have been assembled, 6.51 percent more than the 2,834,967 completed last year at this point.

Companies split last week's targeted output as follows:

General Motors, 49.13 percent; Ford Motor Co., 23.42 percent; Chrysler Motors, 13.65 percent; Honda of America Manufacturing, 4.74 percent; Mazda Motor Manufacturing (U.S.A.) Corp., 2.72 percent; New United Motor Manufacturing Inc., 2.45 percent; Nissan Motor Manufacturing Co. U.S.A., 1.55 percent; Toyota Motor Manufacturing U.S.A., 1.55 percent; and Diamond-Star Motors, 0.79 percent.

Last week's scheduled truck production totaled 90,316, 0.46 percent above the prior week's 89,906 but 2.10 percent below the year-ago week's 92,256.

Year-to-date, 1,796,553 trucks have been assembled, 6.20 percent more than the 1,691,637 built last year at this time.

GM shut down its Detroit-Hamtramck plant today, with the exception of the Cadillac Allante line, due to the high inventory of Oldsmobile Toronado, Buick Riviera and Cadillac Eldorado and Seville models. The plant will be down one week. It is scheduled to close for model changeover from June 16 to Aug. 11, which includes tooling for the reskinned Toronado.

The Allante line resumed output today after being idle for one week due to slow sales. The Allante line is slated to be shut down for model changeover from Aug. 15 to Sept. 6.

GM scheduled overtime last Friday at its Janesville, Wis., plant and planned overtime last Saturday at its Lordstown, Ohio, plant.

Ford slated overtime last Saturday at its Wayne, Mich., truck plant.

Car, truck build slips in Canada

Last week's Canadian car production target of 18,306 was 5.89 percent below the previous week's 19,451 and 25.32 percent below the year-ago week's 24,511.

So far this year, 396,685 cars have been assembled, 15.71 percent below the 470,620 completed last year at this point.

Truck output was scheduled at 18,552 units last week, a dip of 13.73 percent from the prior week's 21,504 but an increase of 7.69 percent over the year-ago week's 17,228.

Year-to-date, 403,002 trucks have been built, 4.78 percent more than the 384,607 assembled last year at this time.

Ford Motor Co.'s Oakville, Ontario, plant was expected to resume output today. The facility was idle last week because of problems in the paint department.

U.S. CAR	Week Ended May 20, 1989	Week Ended May 21, 1988	Week Ended May 13, 1989	May to Date	Jan. 1 to May 20, 1989	Jan. 1 to May 21, 1988
Horizon	800	2,552	793	2,419	6,424	37,425
Sundance	2,500	1,906	2,558	7,595	47,300	41,797
Reliant	0	2,879	0	0	0	40,167
Acclaim	3,300	0	2,851	8,551	48,460	0
Caravelle	0	574	0	0	0	8,425
Gran Fury	0	361	0	0	0	4,980
Total Plymouth	6,600	8,272	6,202	18,565	102,184	132,794
LeBaron K	0	425	0	0	0	7,539
LeBaron J	2,700	2,716	2,939	8,425	47,755	27,824
LeBaron GTS	0	246	0	0	2,946	3,419
N. Yorker C-Class	1,800	2,842	2,083	5,901	45,977	46,845
Fifth Avenue	0	332	0	0	0	13,403
Total Chrysler	4,500	6,561	5,022	14,326	96,678	97,330
Omni	900	2,534	979	2,843	7,493	37,220
Daytona	1,800	2,714	1,942	5,585	41,529	26,965
Shadow	2,200	2,357	2,250	6,732	46,757	43,651
Aries	0	2,280	0	0	0	34,371
Dodge 600	0	474	0	0	0	7,512
Dynasty	3,300	2,239	3,402	10,169	64,273	44,737
Lancer	0	136	0	0	1,528	4,378
Spirit	3,000	0	2,466	7,655	45,161	0
Diplomat	0	536	0	0	0	9,368
Total Dodge	11,200	13,270	11,039	32,984	206,741	208,202
CHRYSLER MOTORS	22,300	28,103	22,263	65,875	405,603	438,326
Escort	8,494	10,948	8,690	25,796	140,728	146,946
Mustang	3,704	4,224	3,746	11,167	91,941	85,657
Tempo	3,146	3,990	2,905	8,765	64,324	80,602
Taurus	7,829	8,779	7,942	23,816	159,050	161,681
Thunderbird	3,751	3,546	2,895	9,841	70,294	64,358
Total Ford Div.	26,924	31,487	26,178	79,385	526,337	539,244
Topaz	1,364	1,512	1,605	4,765	28,584	29,999
Cougar	2,694	2,373	2,935	8,835	60,440	48,805
Sable	2,493	3,551	2,558	7,756	52,034	56,424
Total Mercury	6,551	7,436	7,098	21,356	141,058	135,228
Continental	1,444	1,104	1,434	4,313	29,216	18,392
Mark VII	475	550	317	1,104	10,559	10,300
Lincoln	2,881	3,304	2,461	7,863	53,496	59,406
Total Lincoln	4,800	4,958	4,212	13,280	93,271	88,098
Total L-M Division	11,351	12,394	11,310	34,636	234,329	223,326
FORD MOTOR CO.	38,275	43,881	37,488	114,021	760,666	762,570
Skyhawk	340	0	241	877	6,612	11,350
Skylark/Somerset	1,407	1,826	1,373	4,218	22,994	17,439
Century	2,820	3,344	2,501	7,839	48,964	39,719
Riviera	337	154	297	986	10,418	2,793
Electra	2,518	2,532	2,546	5,064	34,148	33,736
LeSabre (fwd)	4,720	2,500	4,711	14,391	60,890	51,686
LeSabre (rwd)	55	330	66	197	3,445	3,862
Reatta	199	174	197	396	2,788	2,160
Total Buick	12,396	10,860	11,932	33,968	190,259	162,745
Cimmaron	0	0	0	0	0	3,696
Eldorado	989	1,219	887	2,895	16,305	16,784
Seville	720	718	644	2,116	11,974	10,554
Brougham (rwd)	710	977	624	1,954	16,381	14,848
Deville (fwd)	4,105	3,511	4,071	12,369	89,614	74,140
Allante	0	0	75	150	1,303	969
Total Cadillac	6,524	6,425	6,301	19,484	135,577	120,991
Cavalier	8,320	8,690	8,428	24,504	160,030	140,595
Camaro	2,810	2,343	2,789	8,282	50,126	33,454
Celebrity	1,990	5,139	1,994	5,982	56,007	70,043
Corsica/Beretta	8,960	9,281	8,961	25,893	169,933	163,212
Caprice	4,495	4,534	4,060	12,611	82,176	78,360
Corvette	560	446	560	1,680	10,569	8,595
Total Chevrolet	27,135	30,433	26,792	78,952	528,841	494,259
Calais	2,193	2,960	2,142	6,554	39,073	45,669
Firenza	0	0	0	0	0	5,220
Cutlass Ciera	1,550	674	1,891	5,258	34,240	771
Cutlass Supreme	3,775	4,207	3,566	10,862	45,122	84,614
Toronado	202	481	181	594	4,255	7,454
88 (fwd)	7,768	3,994	5,444	16,372	70,368	67,014
88 (rwd)	205	276	195	594	3,236	5,183
Olds 98	1,095	1,609	1,101	3,026	35,707	33,963
Total Oldsmobile	16,788	14,201	14,520	43,260	232,001	249,888
Sunbird	3,738	2,483	3,786	10,577	62,464	43,585
Grand Am	4,800	6,262	4,975	15,834	101,817	98,700
Firebird	1,400	1,582	1,276	3,936	28,358	25,155
Grand Prix	4,030	3,418	4,000	12,030	62,407	47,398
Pontiac 6000	1,125	1,896	1,403	3,940	36,880	31,382
Bonneville	2,206	3,283	2,294	6,760	41,632	43,855
Safari/Parisienne	135	261	139	412	2,267	3,563
Fiero	0	487	0	0	0	8,214
Total Pontiac	17,434	19,672	17,873	53,489	335,825	301,852
GENERAL MOTORS	80,277	81,591	77,418	229,153	1,422,503	1,329,735
DIAMOND-STAR	1,285	0	1,315	3,786	17,866	0
HONDA	7,750	7,314	7,773	23,207	153,756	147,855
Civic	2,550	2,240	2,622	7,760	51,830	38,599
Accord	5,200	5,074	5,151	15,447	101,926	109,256
MAZDA†	4,449	2,654	4,473	13,347	94,960	32,689
NISSAN	2,536	2,671	2,504	7,323	45,359	37,953
NUMMI	4,000	3,344	4,250	12,512	78,834	64,262
Corolla	1,600	1,209	1,678	4,874	32,085	23,654
Geo Prizm/Nova	2,400	2,135	2,572	7,638	46,749	40,608
TOYOTA	2,534	0	2,246	6,974	39,884	0
VOLKSWAGEN	0	1,935	0	0	0	21,577
Golf/GTI	0	1,935	0	0	0	16,024
Jetta	0	0	0	0	0	5,553
Total Cars, U.S.	163,406	171,493	159,730	476,198	3,019,431	2,834,967
Total Cars, Canada	18,306	24,511	19,451	59,731	396,685	470,620
U.S., Canada Cars	181,712	196,004	179,181	535,929	3,416,116	3,305,587
U.S., Canada Cars and Trucks	290,580	305,488	290,591	868,356	5,615,671	5,381,831

Monthly estimates may contain error of one or two units due to rounding.
†—Total includes the MX-6 and Ford Probe.

CANADIAN CAR	Week Ended May 20, 1989	Week Ended May 21, 1988	Week Ended May 13, 1989	May to Date	Jan. 1 to May 20, 1989	Jan. 1 to May 21, 1988
Premier	1,275	1,650	1,299	2,574	17,459	29,251
CHRYSLER MOTORS	1,275	1,650	1,299	2,574	17,459	29,251
Tempo	0	4,215	0	3,373	60,076	82,685
Topaz	0	1,201	0	1,444	25,392	27,990
Crown Victoria	2,914	2,789	2,903	8,742	53,874	56,174
Grand Marquis	2,846	2,851	2,876	8,595	59,832	55,720
FORD MOTOR CO.	5,760	11,056	5,779	22,154	199,174	222,569
Celebrity	851	804	734	2,160	6,051	8,042
Cutlass Ciera	2,709	6,211	2,894	8,608	70,714	107,404
Lumina	3,250	0	4,012	11,480	32,676	0
Pontiac 6000	0	1,014	0	0	0	20,972
Regal	2,371	2,780	2,447	6,126	30,770	66,287
GENERAL MOTORS	9,181	10,809	10,087	28,374	140,211	202,705
HONDA	1,560	816	1,704	4,950	32,689	13,419
TOYOTA	350	0	402	1,139	3,693	0
VOLVO	180	180	180	540	3,459	2,676
Total Cars, Canada	18,306	24,511	19,451	59,731	396,685	470,620

U.S. TRUCK☆	Week Ended May 20, 1989	Week Ended May 21, 1988	Week Ended May 13, 1989	May to Date	Jan. 1 to May 20, 1989	Jan. 1 to May 21, 1988
Caravan	2,300	2,112	2,478	6,967	45,181	40,090
Dakota	2,500	2,229	2,594	7,512	46,156	47,715
Caravan C/V	100	374	118	339	3,783	6,246
Ram pickups	2,500	2,167	2,594	7,542	46,184	26,466
Total Dodge	7,400	6,882	7,784	22,360	141,304	120,517
Cherokee	5,400	4,357	5,546	15,645	94,056	71,562
Commanche	500	994	625	1,694	13,208	19,151
Grand Wagoneer	0	345	0	350	5,423	5,915
Wagoneer	100	291	119	336	3,765	5,216
Total Jeep	6,000	5,987	6,290	18,025	116,452	107,044
Voyager	2,100	1,926	2,361	6,445	42,995	36,979
Town & Country	100	0	155	255	255	0
Total C-P Div.	2,200	1,926	2,516	6,700	43,250	36,979
CHRYSLER MOTORS	15,600	14,795	16,590	47,085	301,006	264,540
Aerostar	4,955	4,517	5,025	15,659	100,529	89,234
Bronco	1,708	1,308	1,432	4,794	34,737	24,699
Bronco II	2,578	2,474	2,473	7,664	53,742	55,951
Econoline	5,230	5,183	5,165	15,559	100,086	100,503
Heavy trucks	1,309	1,703	1,309	3,952	27,747	27,599
Light trucks	12,876	11,655	12,029	37,474	225,755	207,237
Ranger	7,007	7,910	6,239	20,189	143,208	147,170
Total Ford Div.	35,663	34,750	33,672	105,291	683,804	652,393
FORD MOTOR CO.	35,663	34,750	33,672	105,291	683,804	652,393
Astro	3,218	3,649	3,249	9,998	69,162	69,533
Blazer	630	654	504	1,785	11,399	11,190
Mediums/Heavies	0	0	0	0	1,312	7,048
P-Model	996	737	824	2,664	13,845	15,622
Pickups	8,014	8,131	7,886	23,669	162,072	134,194
S-10	4,580	7,023	5,100	14,648	111,107	116,172
S-10 Blazer	3,727	4,493	3,831	11,410	77,327	65,287
Sportsvan/Van	2,400	2,301	2,395	6,795	40,228	33,774
Suburban	1,776	1,748	1,425	5,004	31,709	29,704
Total Chevrolet	25,341	28,736	25,214	75,973	518,161	482,524
Jimmy	177	175	161	534	3,407	3,445
Mediums/Heavies	0	0	0	0	1,496	16,590
P-Model	119	249	79	312	1,788	2,114
Pickups	1,843	2,479	2,265	6,396	48,494	41,847
S-15	1,109	1,408	1,202	3,461	26,289	27,252
S-15 Jimmy	1,000	1,014	1,195	3,327	22,182	17,242
Safari	658	932	881	2,443	17,411	17,879
Suburban	603	736	552	1,885	12,675	14,208
Vandura/Rally Vans	602	579	603	1,727	10,812	15,260
Total GMC	6,111	7,572	6,938	20,085	144,554	155,837
GENERAL MOTORS	31,452	36,308	32,152	96,058	662,715	638,361
NAVISTAR	1,913	1,954	1,864	5,639	35,105	35,119
NISSAN	2,238	1,699	2,178	6,635	51,003	46,774
AM GENERAL	450	450	450	1,350	8,820	8,910
MISCELLANEOUS	3,000	2,300	3,000	9,000	54,100	45,540
Total Trucks, U.S.	90,316	92,256	89,906	271,058	1,796,553	1,691,637

CANADIAN TRUCK	Week Ended May 20, 1989	Week Ended May 21, 1988	Week Ended May 13, 1989	May to Date	Jan. 1 to May 20, 1989	Jan. 1 to May 21, 1988
Caravan	2,590	2,598	3,192	8,865	61,370	60,490
Caravan C/V	315	292	355	1,011	4,824	5,829
Ram Wagon	705	571	696	2,076	11,915	9,876
Ram Van	1,645	1,493	1,724	5,116	30,734	25,322
Total Dodge	5,255	4,954	5,967	17,068	108,843	101,517
Voyager	2,215	2,347	2,760	7,697	53,442	55,534
Total Plymouth	2,215	2,347	2,760	7,697	53,442	55,534
Wrangler	1,700	1,018	1,877	5,462	33,360	20,418
Total Jeep	1,700	1,018	1,877	5,462	33,360	20,418
CHRYSLER MOTORS	9,170	8,319	10,604	30,227	195,645	177,469
FORD MTR. (lt. trks.)	3,648	3,676	3,482	10,780	69,258	71,372
Light trucks	2,616	1,973	3,421	9,403	62,512	62,976
Vans	1,076	1,018	1,383	3,876	27,142	24,296
Total Chevrolet	3,692	2,991	4,804	13,279	89,654	87,272
Light trucks	1,288	1,452	1,643	4,404	30,172	30,467
Vans	484	543	701	1,868	13,234	13,685
Total GMC	1,772	1,995	2,344	6,272	43,406	44,152
GENERAL MOTORS	5,464	4,986	7,148	19,551	133,060	131,424
NAVISTAR	270	247	270	811	5,039	4,342
Total Trks., Canada	18,552	17,226	21,504	61,369	403,002	384,607
U.S., Canada Trks.	108,868	109,484	111,410	332,427	2,199,555	2,076,244

☆—Includes window van production. *—Estimated.
Jeep includes commercial only. AM General includes government-destined vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.